STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6107

Tariff filing of Green Mountain Power Corporation	)
requesting a 12.9% rate increase, to take effect	)
June 22, 1998	)

Order entered: 12/11/98

ORDER RE: STAY OF PROCEEDING AND TEMPORARY RATES PURSUANT TO MEMORANDUM OF UNDERSTANDING

I. INTRODUCTION

With today's Order, we accept the Memorandum of Understanding ("MOU") submitted jointly in this docket by Green Mountain Power Corporation ("GMP" or "Company"), the Vermont Department of Public Service ("DPS" or "Department"), and International Business Machines Corporation ("IBM"). As requested by those parties, we stay the present rate investigation until September 1, 1999. We approve a temporary increase of 5.7 percent, or approximately $9,190,000 annually, in the revenues of GMP, to take effect with service rendered December 15, 1998. We also approve an additional temporary rate surcharge which may take effect during the pendency of the stay, and which would raise approximately $670,000 in additional revenue during that period. Refunds will be owed to ratepayers if the Board determines that final rates should be lower than the temporary rates approved today.

This proceeding was initiated when GMP filed a request for a 12.9 percent increase in its retail rates. The proposed rate increase was driven in large part by rising power costs facing the Company, costs which have contributed to financial difficulties at the Company, and which have stimulated concerted efforts by the Company, the Administration, this Board, and others to restructure the Company's power supply portfolio.

We intend to assist the Company in that process. We have opened an investigation (Docket No. 6140) to explore the means to reduce power costs, and to assist Vermont's electric utilities to accomplish that objective. Today's Order is an essential element in that process.

The temporary rate increase approved here is intended to maintain the financial viability of the Company until final rates are established in this case (presently expected in December, 1999), while the Company works with its power suppliers and financial partners, its customers, and public officials to address the challenges posed by rising power costs.

The search for sustainable and fair solutions in that comprehensive effort will require hard work, good-faith cooperation, and creative compromises among the parties to these proceedings, and to make these possible we strongly encourage all participants to focus on realistic expectations and reasonable, supportable claims.[1]

One of the topics raised in this proceeding by GMP has been the Company's continuing ability to deliver reliable electric service to its customers in the event of a Company bankruptcy.[2] Since this topic has been raised, we wish to make it absolutely clear that we will not accept the degradation of electric system reliability or power quality to customers of GMP or any other Vermont regulated utility. In neither today's Order, nor any other rate order that we can contemplate, would we intend to allow any substantial change to existing standards for reliable service. The evidence that we have received from the parties, including the Company, indicates that our approval of the MOU will not have that effect.

In some of its public communications, GMP may have raised concerns among its customers that reliability of their electric service could be jeopardized by GMP's financial difficulties — representing, for example, that a bankruptcy could impede the Company's ability to deliver safe and reliable service and might render other utilities reluctant to provide mutual

1. As we noted in Docket 5983, "Vigorous advocacy is, of course, a Vermont tradition — however, it will exact a price in public misunderstanding if not factually grounded and tempered by a genuine desire to reach solutions to challenging problems." Docket 5983, Order re: Motion to Reconsider, 6/8/98, at 3.

2. The Company has conducted no formal study of the effects of bankruptcy. Tr. 10/21/98 at 62-65 (Norse). The parties have requested that we examine closely the potential effects of utility bankruptcy in Vermont, and particularly the effects of the step-up provisions of the Hydro-Quebec contract. We will be opening a new investigation, Docket No. 6140-A, into the potential effects of a utility bankruptcy. In this investigation, which will be conducted as a contested case proceeding, representations as to the likelihood and potential consequences of bankruptcy will be taken as sworn testimony and subject to discovery and cross-examination.

aid in times of crisis.[3] We respect the Company's legitimate concerns about its financial circumstances, but we wish to assure GMP's customers that we have heard no evidence to support a conclusion that continued reliable service will be affected by these financial challenges.[4] The Public Service Board ("Board") has both the responsibility and the authority to protect service quality, and we would exercise this authority to ensure that high quality service would be maintained reliably under any rate orders or restructuring proposals.[5]

In the current proceeding, the parties have presented us with a proposed settlement that would put this docket on hold until September 1999, and in the interim grant GMP a temporary rate increase, subject to possible refund. We have conducted a careful inquiry into the details and consequences of the parties' proposal. The parties have contended, and we concur, that this settlement will serve the several, complementary purposes of strengthening the Company's financial viability, permitting sufficient capital expenditures by GMP, ensuring its ability to deliver safe and reliable electric service to its customers (including the capability to respond to emergency situations), and allowing the Company, the Department, the Board, and others to devote their time and resources to power cost mitigation efforts rather than to contested rate case proceedings.[6] Based on these expected benefits, we thus conclude, as the parties have urged us to do, that approval of the MOU will promote the public interest.

II. Background And Procedural History

This docket is an investigation of a May 8, 1998, filing of revised tariffs by GMP. The revised tariffs reflected a rate increase of 12.9 percent in base rates, representing a revenue

3. Tr. 10/20/98 (public hearing transcript) at 10-16 (Trout); exh. IBM-8 (bill insert to customers).

4. Tr. 10/28/98 at 98-101 (Ross); tr.12/1/98 at 107-109 (Steinhurst). In fact, as Dr. Steinhurst noted in his testimony, electric utilities in worse financial condition than GMP have had no difficulty obtaining mutual assistance during emergencies, and the Vermont Electric Cooperative went through bankruptcy proceedings without any degradation in service quality.

5. A number of mechanisms are possible, including a reliability trust fund.

6. Our September 15, 1998, Order Opening Investigation in Docket No. 6140 noted, and indeed is premised on, the possibility of addressing Vermont's high power costs outside of the traditional ratemaking process.

increase of $20.8 million, to take effect on a service-rendered basis beginning June 22, 1998.[7] In its May 8 filing, GMP stated that its request to increase rates was driven primarily by higher power costs. GMP also proposed certain changes in the allocation of costs among customer classes, and therefore in its rate design, including a proposal to eliminate, for all rate classes, the winter-summer rate differential. On July 2 and 10, 1998, GMP submitted testimony in support of its requests.

By letter of June 5, 1998, the DPS recommended suspension and investigation of the proposed rate increase, and dismissal of the rate design and cost allocation proposals. On June 15, 1998, pursuant to 30 V.S.A. § 226, we suspended the filing and ordered an investigation to determine whether the proposed tariff changes were just and reasonable.

The Board convened a prehearing conference on July 7, 1998, at which we granted motions to intervene to Vermont Yankee Nuclear Power Corporation ("Vermont Yankee") and IBM. In our Order of August 25, 1998, we also granted the intervention requests of the American Association of Retired Persons ("AARP"), the Vermont Electricity Consumers Coalition ("VECC"), the Vermont Public Interest Research Group ("VPIRG"), and the Vermont Ski Areas Association, Inc. ("VSAA").

On August 27, 1998, we issued a Prehearing Conference Memorandum which set a schedule for the case, including a deadline for issuance of a rate order by January 22, 1999.

Technical hearings on the parties' testimony were held from October 19 to 30, 1998. At the commencement of the hearings, the parties informed the Board that they had agreed to postpone consideration of the rate design and cost allocation issues until after the Board entered a final order on revenue requirements. In our Order approving the agreement (dated November 2, 1998), we concluded that the statutory deadline for final Board decision on rate design issues in the instant proceeding would be August 22, 1999, but adopted the parties' proposed schedule which would have resulted in a June 30, 1999, Board order regarding class cost allocation and rate design issues.

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7. The Company stated, in the cover letter to its filing, that if the Board should suspend GMP's request, it would anticipate that the requested rate increase would become effective in January, 1999.

A public hearing was convened by the Board on October 20, 1998, via Vermont Interactive Television at sites located in Bennington, Brattleboro, Colchester, Middlebury, St. Johnsbury, Springfield, and Waterbury, Vermont.[8]

Following the technical hearings, GMP, the Department, and IBM engaged in negotiations that ultimately resulted in the agreement set forth in the MOU. The parties informed the Board that negotiations were taking place, and the Board twice granted requests by the parties to alter the schedule of the proceedings to allow additional time for negotiation. On November 18, 1998, GMP filed the MOU, and five days later, filed testimony in support of it. Vermont Yankee indicated its support for the MOU in a November 25, 1998, letter to the Board.

The Board convened a technical hearing on December 1, 1998, to consider the MOU. Witnesses for both GMP and the Department testified in support of it. At the hearing, GMP submitted an Agreement on Joint Request to Hire Experts ("Agreement") among itself, IBM, the Department, VPIRG, and AARP. Among other provisions of the Agreement, VPIRG and AARP agreed to support approval of the MOU. Also, in the Agreement, the parties jointly requested that the Board, as soon as reasonably possible, review and analyze the potential impact of a participant utility's default under the Hydro-Quebec/Vermont Joint Owners Contract or the associated Participation Agreement on other signers of the Contract or Participation Agreement, consumers, other Vermont utilities, and the citizens of Vermont. The parties requested that the Board, if necessary, hire experts to advise it on these matters.

III. THE MEMORANDUM OF UNDERSTANDING

GMP, the Department, and IBM entered into an MOU[9] which provides, among other items, that upon Board approval this docket would be stayed until September 1, 1999, that the deadline for the Board's decision on final rates would be extended until December 15, 1999, and that the Board would order a temporary rate increase for GMP pending a final decision in

8. Due to equipment problems, the St. Johnsbury site was unable to connect to the Vermont Interactive Television network. The Board arranged for videotaping at the St. Johnsbury site, if any members of the public at that site desired to present comments.

9. The MOU is attached to this Order as Appendix 1.

December, 1999. That decision would address, among other things, the ratemaking treatment (including prudence and used-and-usefulness) of the Company's HQ Contract costs.

The temporary rate increase would consist of two parts: the first part, a 5.7 percent increase, would be applied to all customer classes effective with service rendered on or after December 15, 1998, and would raise $9,190,000 during the year in which it would be in effect. The second part, an additional surcharge (described in the MOU as the "Pine Street surcharge"), would raise approximately $670,000 in additional revenues by December 15, 1999. The Pine Street surcharge would take effect without further Board approval on the first day of the month following GMP's execution of a consent decree with governmental parties for remediation of the Pine Street Barge Canal Superfund Site. The amount of the "Pine Street surcharge" would be dictated, in accordance with a schedule attached to the MOU, by the date of implementation; the level of the surcharge could be as little as 0.41 percent, or as much as 4.15 percent, of current rate levels (i.e., rate levels prior to application of the 5.7 percent temporary rate increase).

The temporary rates would also be subject to refund, if the Board's final order in this docket establishes rates that are lower than the temporary ones.

Upon approval of the MOU, GMP would withdraw its request to redesign rates and would not submit another redesign or reallocation until after the next rate filing following this one. The MOU also established a schedule for resolution of the case regarding final rates in this docket, and established "ground rules" for introduction of "updated" cost of service information for the remainder of the case. In addition, GMP agreed not to file prior to September 1, 1999, a petition for any further increase in retail electric rates, although it may, if it deems necessary, file for temporary rate relief under 30 V.S.A. § 226(a).

Under the MOU, $1,000,000 of the revenues produced by the temporary rates are to be used by GMP for enhanced right-of-way ("ROW") maintenance and pole testing and treatment, pursuant to plans prepared in consultation with the Department's engineering staff. The MOU also provides that GMP's regulatory asset balances subject to recovery in this case (relating to regulatory commission expense, tree trimming, storm damage, and the January 1998 ice storm) are to be amortized over a seven-year period beginning January 1999, subject to further Board review after the expiration of the stay and without prejudice to any party.

IV. Findings of Fact

1. If the Board approves the MOU, GMP's annual revenues from retail customers will be temporarily increased by 5.7 percent or $9,190,000, with the rate increase applied to service rendered on or after December 15, 1998. If the final rates set by the Board in this docket are less than the temporary rates, GMP will refund any excess revenues collected under the temporary rates by adjusting revenue requirements and rates on a prospective basis, by customer class, to reflect the appropriate refund amounts. MOU at ¶¶ 3 and 7;[10] Norse/Kvedar pf. at 2.

2. Under the MOU, the temporary rates will increase automatically if, in 1999, GMP executes a consent decree with governmental parties for remediation of the Pine Street Barge Canal Superfund Site. This Pine Street surcharge will take effect on the first day of the month following execution of the consent decree. The amount of the surcharge is designed to produce additional revenues – approximately $670,000 – sufficient for GMP to finance estimated 1999 Pine Street expenditures of between $5.84 million and $5.99 million. To collect the appropriate level of additional revenues during the period that the temporary rates are in effect, the percentage rate of the surcharge will depend upon the month upon which it commences, as follows:

Pine Street Surcharge Effective Date	Base Increase	Increase After Surcharge
1/1/99	5.70%	6.11%
2/1/99	5.70%	6.16%
3/1/99	5.70%	6.22%
4/1/99	5.70%	6.29%
5/1/99	5.70%	6.37%
6/1/99	5.70%	6.45%
7/1/99	5.70%	6.57%

10. The MOU was entered into the record as one of three documents included in exhibit GMP-42; for clarity and ease of reference, citations in these findings refer to the MOU rather than to the corresponding exhibit number.

Pine Street Surcharge Effective Date	Base Increase	Increase After Surcharge
8/1/99	5.70%	6.73%
9/1/99	5.70%	6.96%
10/1/99	5.70%	7.32%
11/1/99	5.70%	7.99%
12/1/99	5.70%	9.85%

MOU at ¶¶ 3 and 4, and at Attachment 1; Norse/Kvedar pf. at 8-9.

3. Under the provisions of the MOU, the Pine Street surcharge does not constitute recovery of any Pine Street expenditures and establishes no precedent for ratemaking treatment of such costs. Moreover, the MOU does not preclude the parties from litigating issues regarding recovery and sharing of final Pine Street costs at the appropriate time. The MOU does not alter any previous Board orders or agreements among the parties regarding the treatment of Pine Street expenditures and recoveries. MOU ¶ 4; Norse/Kvedar pf. at 9.

4. The temporary rate increase is intended to provide GMP with additional revenues to permit the Company to provide its customers with adequate and efficient service through 1999 and to preserve the Company's financial viability during that period. This amount of additional revenue was calculated using GMP's forecasts of 1999 cash flows and earnings. These forecasts were reviewed by the Department, and reflect the best information available to the Company. Norse/Kvedar pf. at 4-6; exh. GMP-42 at EMN/AJK-2.

5. According to GMP, even with the temporary rate increase contemplated by the MOU, the Company will still need to borrow funds in 1999 in order to remain financially viable. Norse/Kvedar pf. at 11.

6. The Company currently maintains a credit facility with Fleet Bank under a Revolving Credit Agreement ("Revolver"). This line of credit is currently the Company's principal external source of working capital. Norse pf. at 16; Lanigan pf. at 2.

7. The Company will rely upon the Revolver through the year 1999 to fund operations and make necessary capital investments in its core utility business. Norse pf. at 17; exh. GMP-41.

8. The Revolver expires on June 30, 1999. The Company will seek to renew the facility through the end of calendar year 1999. With the cash flows and coverage ratios provided by the MOU's temporary rates, GMP believes it can present to Fleet Bank a reasonable case for extending the credit facility through 1999. Norse/Kvedar pf. at 11-12; findings 9, 10, and 11, below.

9. In order to maintain and extend the line of credit with Fleet Bank through 1999, GMP must demonstrate that it will be able to issue new debt in sufficient quantity to "take-out", or refinance, the Revolver loan balance at the end of 1999. Norse/Kvedar pf. at 11.

10. With the rate increase set forth in the MOU, the Company believes that it will have the capacity in December 1999, under the interest coverage requirements of its existing first mortgage bond covenants, to issue between $8.4 million and $10.5 million in new mortgage bonds. Norse/Kvedar pf. at 10-11.

11. At the end of December 1999, GMP projects that it will owe approximately $8.8 million dollars on its line of credit with Fleet Bank. Exh. GMP-41.

12. To issue new first mortgage bonds, the Company must achieve an earnings-to-interest ratio of 2.0, including a *pro forma* adjustment for the additional mortgage interest, during the twelve months preceding the issuance of the new bonds, and it must be able to demonstrate its ability to repay the new debt. Norse pf. of 7/1/98 at 13; Norse/Kvedar pf. at 10-11.

13. The rate increase set forth in the MOU, including the Pine Street surcharge, is necessary to enable GMP to maintain cash flows and a *pro forma* earnings-to-interest ratio of 2.0. Norse/Kvedar pf. at 10.

14. The cash flows upon which the temporary rates are based reflect a halving of GMP's common stock dividend, approved by GMP's Board of Directors at a meeting five days after the MOU was signed. Under the temporary rates, GMP projects its 1999 return on equity for its regulated operations to be 4.68 percent, less than half of the 11.25 percent allowed return set by the Board in Docket 5983. GMP believes that the temporary increase will enable GMP to avoid a bankruptcy filing in the near term. Norse/Kvedar pf. at 7, 14.

15. Previously, GMP had planned to invest $2 million in its unregulated activities in 1999. The Company has changed those plans, and no longer plans to make any contribution to those activities in 1999. Thus, the cash flow projection that GMP submitted in support of the requested temporary rate levels does not include any investment in the Company's unregulated activities for 1999. Tr. 12/1/98 at 27-28 (Norse and Kvedar).

16. The cash flow projection assumes that GMP will not have to spend more than $1 million for contingency planning and analysis relating to power cost mitigation negotiations and bankruptcy in 1999. Norse/Kvedar pf. at 7- 8.

17. The cash flow analysis includes $2.2 million of budgeted demand-side management deferred expenditures in 1999. Although that level of funding may not be sufficient to finance mature, comprehensive demand-side management ("DSM") programs in all areas, it should be adequate, given the current state of GMP's programs, for the Company to pursue in an efficient manner a limited set of cost-effective DSM opportunities in 1999. Tr. 12/1/98 at 110, 114 (Grimason); tr. 12/1/98 at 133-134 (Steinhurst).

18. GMP plans to provide lost-opportunity and low-income DSM programs in 1999, but does not intend to implement system-wide retrofit DSM programs, nor does it expect to spend the full $2.2 million that it has budgeted for DSM. Tr. 12/1/98 at 115, 127 (Grimason); exh. GMP-41.

19. The temporary rate levels provided in the MOU should be sufficient to allow the Company to support its projected level of capital expenditures for 1999. Exh. GMP-41, att. 1; tr. 12/1/98 at 26-27 (Kvedar).

20. Approval of the MOU should allow GMP to provide safe, reliable, adequate, and efficient service and should permit the Company to respond to emergencies in the normal course of business. However, in the event of a severe weather emergency or other unforeseen occurrence, the Company may require additional temporary rates. Tr. 12/1/98 at 25 (Norse and Kvedar); tr. 12/1/98 at 88, 90, 105, 107-109 (Steinhurst); exh. GMP-41 at 4; MOU at ¶ 13; finding 18, above.

21. Under the MOU, $1 million of the additional revenues provided under the temporary rates are to be spent by GMP on an enhanced program of ROW maintenance and pole testing and treatment, to be conducted in accordance with plans developed in consultation

with the engineering staff of the Department. The MOU also provides a mechanism for ensuring that the additional funds are spent for those purposes. MOU at ¶ 5.

22. The MOU provides for the amortization of regulatory asset accounts for regulatory commission expense, tree trimming, storm damage, and the January 1998 ice storm over a seven-year period starting January 1999. This treatment of those balances will not constitute any prejudgment of the appropriate ratemaking treatment of those balances in the final Board decision in this proceeding. In its original filing in this rate case, GMP requested a five-year amortization with rate base treatment of the unamortized balances. By specifying ratemaking treatment of these account balances during 1999, the MOU provides GMP with a basis for maintaining those assets on its balance sheet. Norse/Kvedar pf. at 9; tr. 12/1/98 at 32-38 (Kvedar); MOU at ¶¶ 5A, 14, 15.

23. Approval of the MOU should not require GMP to recognize a loss under Financial Accounting Standard ("FAS") No. 5 related to HQ Contract disallowances for periods beyond the conclusion of this proceeding. Nor does approval of the MOU require GMP to cease applying FAS 71 with respect to regulatory assets. Norse/Kvedar pf. at 15.

24. By staying the current proceeding until September, 1999, approval of the MOU will allow GMP and others, including the Department and the Board, to direct more time and resources to efforts to lower the state's power supply costs. Such efforts will serve the interests of the Company's ratepayers and shareholders, and of the public in general. Norse/Kvedar pf. at 4-5, 15-16; MOU at ¶ 6.

V. Discussion

The parties all agree that the legal standard by which the Board should judge the proposed temporary rate increase is that set forth in 30 V.S.A. § 226(a), which provides that the Board shall approve a request for temporary rates:

> . . . if it shall be made to appear to the satisfaction of the board, that the public interest requires a change in rates, charges or services, or that such change is necessary for the purpose of providing adequate and efficient service or for the preservation of the property of the public service company devoted to public use . . . .

We concur that this is the applicable standard for our review of the temporary rates proposed in the MOU.

Based on the evidence presented, we conclude that the proposed temporary rate increase and accompanying stay should maintain the financial viability of the Company until final rates are established in this case, ensure the continued delivery of safe and reliable electric service to GMP's customers, and provide the Company and other involved parties a necessary opportunity to address the high power costs facing Vermont's electric utilities. Accordingly, we conclude that the public interest requires the temporary rate increase, and we therefore approve the MOU.

In approving the MOU, today's Order neither creates any precedent for this or any future proceeding, nor constitutes any finding or order that any costs are recoverable in rates.[11] Nor should our approval of the MOU be interpreted as approval of the Company's stated plans for its DSM activities, or its planned DSM expenditure levels, in 1999. We note with some concern that testimony presented at the December 1st hearing indicates that the Company does not intend to offer system-wide retrofit programs in 1999, which calls into question whether GMP will be discharging its legal obligation to acquire all cost-effective DSM opportunities for its customers.

When there are compelling reasons, which could include a period of financial difficulty, we will consider approving a relaxation of a utility's short-term DSM goals, but only for a limited time and only with the requirement that the utility demonstrate either a long-term DSM plan that is consistent with its legal obligation, or a reasonable expectation that comparable energy efficiency savings will be achieved by an alternative mechanism (for example, through statewide programs or a statewide entity that will implement DSM programs). Thus, although we are approving the MOU, we emphasize that we are not approving the Company's stated plans as an appropriate long-term DSM strategy. We place GMP on notice that the adequacy of its DSM performance, capability and long-term strategy is, and will remain, of particular concern to the Board, and remains an issue to be carefully reviewed when this docket resumes.

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11. *See* MOU at ¶¶ 14 and 15.

Finally, with respect to the Agreement on Joint Request to Hire Experts, we presently intend to retain one or more experts to address the issues set forth in the Agreement. Because those issues encompass not just GMP, but most of Vermont's retail electric utilities, we intend to retain such experts in another docket (or dockets) that has a more general focus.[12] In particular, we are likely to retain those experts in the new docket that we will be opening, Docket No. 6140-A, to review the potential impacts of the Hydro-Quebec step-up provisions and the potential effects of a Vermont electric utility bankruptcy.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Memorandum of Understanding among Green Mountain Power Corporation, the Vermont Department of Public Service, and International Business Machines Corporation dated November 18, 1998, is approved.

2. GMP is entitled to temporary rates that will produce additional annual revenues in the amount of $9,190,000, or 5.7 percent overall, above existing base rates, effective with service rendered December 15, 1998. GMP is also entitled to implement an additional temporary surcharge, in an amount consistent with Section 3 of the MOU and Attachment 1 thereto, if in 1999 GMP executes a consent decree with governmental parties for remediation of the Pine Street Barge Canal Superfund Site. This Pine Street surcharge, if implemented, shall take effect on the first day of the month following execution of the consent decree.

3. The temporary rates shall remain in effect until the Board issues a final order in this docket, subject to any further request by GMP for emergency temporary rate relief. In the event that the Board issues a final order that allows a rate increase less than the temporary rates ordered herein, all sums collected in excess of such final rates shall be refunded by adjusting revenue requirements and rates on a prospective basis, by customer class, to reflect the appropriate refund amounts. GMP shall not be required to post a bond or letter of credit.

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12. At the December 1 hearing, the parties acknowledged that it would be appropriate for the Board to retain in another docket the experts requested in the Agreement. Tr. 12/1/98 at 20-21.

4. GMP shall file tariffs that conform with the above Findings, with a copy to the Department and other parties, within five days of the date of this Order. Said tariffs shall apply to service rendered commencing on December 15, 1998, and shall provide for the appropriate surcharge relating to Pine Street expenditures, in accordance with MOU ¶ 3 and MOU Attachment 1. Within five days of the execution of a Consent Decree concerning Pine Street remediation, GMP shall file a compliance filing with the Board and the parties consistent with the MOU and this Order.

5. Within five days of the date of this Order, GMP shall submit to the Board, with a copy to the Department and other parties, a proposal for notifying customers of the temporary rate increase and the possible implementation of the Pine Street surcharge. The proposal shall provide for customer notification regarding the Pine Street surcharge both presently and, in the event that the surcharge is implemented, as soon as reasonably possible after the Company determines that the surcharge will be implemented.

6. This docket is stayed until September 1, 1999, at which time the Board will resume this proceeding in accordance with the schedule proposed in the MOU. During the stay and, to the extent applicable, thereafter, the terms of the MOU will govern the conduct of the parties with respect to these proceedings and matters at issue in these proceedings.

7. The Board will schedule a conference with the parties at an appropriate time prior to September 1, 1999, to review the status of this matter.

8. This Order does not constitute a finding or order that any costs included in GMP's support for this temporary rate increase are recoverable in rates or should receive any particular rate treatment in this or any future proceeding. The method used to determine these temporary rates shall not be construed as an appropriate means of determining final rates. This Order constitutes a determination pursuant to 30 V.S.A. § 226(a), after preliminary hearing, for the purpose of establishing temporary rates only. Regarding the establishment of permanent rates, nothing in this Order, including the findings of fact and conclusions, shall bind the Board or the parties or have any *res judicata* or collateral estoppel effect except as necessary to implement the MOU and enforce this Order.

9. Nothing in this Order shall diminish or modify GMP's demand-side management or integrated resource planning obligations under previous Board orders or applicable statutes.

Dated at Montpelier, Vermont, this 11th day of December, 1998.

s/ Richard H. Cowart	)	
	)	PUBLIC SERVICE
	)	
s/ Suzanne D. Rude	)	BOARD
	)	
	)	OF VERMONT
s/ David C. Coen	)	

OFFICE OF THE CLERK

FILED: December 11, 1998

ATTEST: s/ Susan M. Hudson
Clerk of the Board

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board of any technical errors, in order that any necessary corrections may be made.